

Norwegian Cruise Line Holdings Ltd.
Form 10-Q
July 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-35784

NORWEGIAN CRUISE LINE HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda 98-0691007
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

7665 Corporate Center Drive, Miami, Florida 33126

(Address of principal executive offices) (zip code)

(305) 436-4000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act).

Large accelerated filer”

Accelerated filer”

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company”
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 203,203,767 ordinary shares outstanding as of July 28, 2014.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Norwegian Cruise Line Holdings Ltd.****Consolidated Statements of Operations****(Unaudited)****(in thousands, except share and per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue				
Passenger ticket	\$538,059	\$457,619	\$996,549	\$816,547
Onboard and other	227,868	186,814	433,406	355,517
Total revenue	765,927	644,433	1,429,955	1,172,064
Cruise operating expense				
Commissions, transportation and other	114,712	112,985	231,522	207,564
Onboard and other	55,467	49,316	103,391	91,687
Payroll and related	106,352	82,809	205,418	156,848
Fuel	77,832	75,582	156,872	148,080
Food	42,734	33,674	80,417	63,636
Other	73,699	66,713	139,086	115,953
Total cruise operating expense	470,796	421,079	916,706	783,768
Other operating expense				
Marketing, general and administrative	83,084	74,111	166,473	159,317
Depreciation and amortization	63,459	53,854	125,099	102,602
Total other operating expense	146,543	127,965	291,572	261,919
Operating income	148,588	95,389	221,677	126,377
Non-operating income (expense)				
Interest expense, net	(31,860)	(103,686)	(63,032)	(231,342)
Other income (expense)	(325)	429	63	1,794
Total non-operating income (expense)	(32,185)	(103,257)	(62,969)	(229,548)
Net income (loss) before income taxes	116,403	(7,868)	158,708	(103,171)
Income tax benefit (expense)	(3,124)	(1,047)	6,263	(3,244)
Net income (loss)	113,279	(8,915)	164,971	(106,415)
Net income (loss) attributable to non-controlling interest	1,663	(74)	2,088	(1,179)

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Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	\$ 111,616	\$(8,841)	\$ 162,883	\$(105,236)
Weighted-average shares outstanding				
Basic	204,965,718	203,997,492	205,063,870	201,189,562
Diluted	210,472,991	203,997,492	210,742,655	201,189,562
Earnings (loss) per share				
Basic	\$0.54	\$(0.04)	\$0.79	\$(0.52)
Diluted	\$0.54	\$(0.04)	\$0.78	\$(0.52)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Norwegian Cruise Line Holdings Ltd.****Consolidated Statements of Comprehensive Income (Loss)****(Unaudited)****(in thousands)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$113,279	\$(8,915)	\$164,971	\$(106,415)
Other comprehensive income (loss):				
Shipboard Retirement Plan	95	117	189	234
Cash flow hedges:				
Net unrealized income (loss) (1)	8,797	(9,064)	(6,559)	(28,620)
Amount realized and reclassified into earnings (2)	(147)	(236)	6	(2,011)
Total other comprehensive income (loss)	8,745	(9,183)	(6,364)	(30,397)
Total comprehensive income (loss)	122,024	(18,098)	158,607	(136,812)
Comprehensive income (loss) attributable to non-controlling interest	1,757	(193)	2,045	(1,788)
Total comprehensive income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	\$120,267	\$(17,905)	\$156,562	\$(135,024)

(1) Net of a deferred tax benefit of \$657 and \$797 for the three and six months ended June 30, 2013, respectively.

(2) Net of a deferred tax expense of \$12 and \$73 for the three and six months ended June 30, 2013, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Norwegian Cruise Line Holdings Ltd.****Consolidated Balance Sheets****(Unaudited)****(in thousands, except share data)**

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 63,483	\$ 56,467
Accounts receivable, net	27,145	18,260
Inventories	52,566	43,715
Prepaid expenses and other assets	67,030	64,482
Total current assets	210,224	182,924
Property and equipment, net	6,305,328	5,647,670
Goodwill and tradenames	611,330	611,330
Other long-term assets	187,921	209,054
Total assets	\$ 7,314,803	\$ 6,650,978
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 372,911	\$ 286,575
Accounts payable	102,755	86,788
Accrued expenses and other liabilities	256,569	253,752
Due to Affiliate	37,026	36,544
Advance ticket sales	610,639	411,829
Total current liabilities	1,379,900	1,075,488
Long-term debt	3,129,337	2,841,214
Due to Affiliate	36,880	55,128
Other long-term liabilities	53,905	47,882
Total liabilities	4,600,022	4,019,712
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Ordinary shares, \$.001 par value; 490,000,000 shares authorized; 205,685,491 and 205,160,340 shares issued at June 30, 2014 and December 31, 2013, respectively	205	205
Additional paid-in capital	2,822,208	2,822,864
Accumulated other comprehensive income (loss)	(23,011)	(16,690)
Retained earnings (deficit)	(34,588)	(197,471)
Treasury shares (2,397,294 ordinary shares at cost)	(79,155)	—
Total shareholders' equity controlling interest	2,685,659	2,608,908
Non-controlling interest	29,122	22,358
Total shareholders' equity	2,714,781	2,631,266
Total liabilities and shareholders' equity	\$ 7,314,803	\$ 6,650,978

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Norwegian Cruise Line Holdings Ltd.****Consolidated Statements of Cash Flows****(Unaudited)****(in thousands)**

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income (loss)	\$164,971	\$(106,415)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	141,228	115,946
Gain on derivatives	(62)	(270)
Deferred income taxes, net	2,786	2,968
Write-off of deferred financing fees	—	36,357
Share-based compensation expense	5,079	19,356
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,885)	(1,308)
Inventories	(8,851)	(5,748)
Prepaid expenses and other assets	(8,943)	961
Accounts payable	15,967	17,974
Accrued expenses and other liabilities	20,905	(14,909)
Advance ticket sales	194,913	187,868
Net cash provided by operating activities	519,108	252,780
Cash flows from investing activities		
Additions to property and equipment	(787,566)	(759,020)
Net cash used in investing activities	(787,566)	(759,020)
Cash flows from financing activities		
Repayments of long-term debt	(540,237)	(2,081,520)
Repayments to Affiliate	(18,521)	(98,171)
Proceeds from long-term debt	914,545	2,289,253
Proceeds from the issuance of ordinary shares, net	—	473,017
Proceeds from the exercise of share options	2,158	—
Purchases of treasury shares	(79,155)	—
NCLC partnership tax distributions	(3,115)	—
Other	(201)	(38,999)
Net cash provided by financing activities	275,474	543,580
Net increase in cash and cash equivalents	7,016	37,340
Cash and cash equivalents at beginning of period	56,467	45,500
Cash and cash equivalents at end of period	\$63,483	\$82,840

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Norwegian Cruise Line Holdings Ltd.****Consolidated Statements of Changes in Shareholders' Equity****(Unaudited)****(in thousands)**

	Ordinary Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Shares	Non- controlling Interest	Total Shareholders' Equity
Balance, December 31, 2012	\$ 25	\$2,327,097	\$ (17,619)	\$(299,185)	\$ —	\$ 8,466	\$ 2,018,784
Share-based compensation	—	29,336	—	—	—	19	29,355
Transactions with Affiliates, net	—	(51)	—	—	—	—	(51)
Corporate Reorganization	—	(20,176)	—	—	—	20,176	—
IPO proceeds, net	179	472,838	—	—	—	—	473,017
Other comprehensive loss	—	—	(29,788)	—	—	—	—